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SUBJECT: Argentina: Farmers Reach Agreement with GOA
(More or Less)

Ref: Buenos Aires 214

Summary

¶1. (SBU) The GOA and the local farm groups signed a memorandum of understanding (MOU) on March 3 that included measures agreed upon the previous week -- support measures for the wheat, dairy, and beef sectors, and regional products -- with some additional concessions by the GOA. Several farm leaders, as well as local farm groups, expressed their disappointment with the result, as their key goal is to have lower export taxes on soybeans. President Fernandez de Kirchner, who participated in much of the March 3 meeting, emphasized that export taxes on soybeans and sunflower were not going to be lowered due to social equity and fiscal reasons. In the days prior to the meeting on March 3, there were strong rumors that the GOA would create a national grain marketing agency, with the purported purpose of protecting small- and medium-sized farmers from large grain exporters. Creation of this agency was not discussed formally during the meeting, but the government promised that it is on standby and that, if created, legislation to that effect will be sent to Congress. End Summary.

A Settlement or First Steps?

¶2. (U) The government and the local farm groups met on March 3 in a continuation of the previous week's meeting (Reftel) in which the government offered support measures for the wheat, dairy, and beef sectors, as well as special provisions for poorer producing areas. Participants were the same as in previous meetings (Minister of Production Giorgi, Minister of Interior Randazzo, Secretary of Agriculture Cheppi, and presidents of the Rural Society of Argentina (SRA), Confederation Rural Argentina (CRA), Agriculture Federation of Argentina (FAA), and Coninagro), with the surprising mid-meeting addition of President Cristina Fernandez de Kirchner. At the end of the day, both sides signed a memorandum of understanding (MOU) with the measures agreed the previous week, with some additional concessions by the GOA.

¶3. (U) Both the government and farm leaders described the meeting as positive. They highlighted the importance of the agreement and that they would meet again the week of March 9 to continue with conversations, especially addressing measures to offset the severe damage caused by the country's worst drought in 50 years. The government was more positive, describing the agreements on dairy, beef and regional products as a possible solution to the conflict, while farm leaders characterized the agreements as positive first steps to resolve some of the issues (while major issues, such as export taxes for soybeans remain unresolved).

¶4. (U) In public remarks following the five-hour meeting, President Fernandez de Kirchner requested that the rural sector tone down its rhetoric against the government, and emphasized that export taxes on soybean and sunflower were not going to be lowered due to social equity and fiscal reasons. The farm representatives responded that they would go to Congress to seek lower export taxes.

¶5. (U) Press reports indicated that farmers were not pleased with this clarification and publicly stated that, despite the agreement, the conflict is not over. Several farm leaders, as well as local farm groups, expressed their disappointment with the results, as their key goal is to lower export taxes on soybeans (which was at the heart of the four-month showdown in 2008 between the GOA and the agricultural sector). The farm leaders also noted in their follow-up press conference that they have little confidence in the government and want to see that these measures are put into practice immediately and that they are effective. The measures in the agreement focus mostly on the enhancement of producers' prices.

Agreed Provisions

¶6. (U) Dairy: Export taxes for all dairy products will be reduced from 5% to zero and the price cap on dry milk exports is eliminated; small dairy producers will receive a price support of 0.10 pesos per liter; and a compensation of 200 pesos per head to producers who feed their male calves up to 130 kilos.

¶7. (U) Wheat: Mills will be compensated for the price of a bag of wheat; the official price for supplying the domestic market will increase from 370 pesos to 420 pesos; and the government will slowly open export registries for wheat (taking into account the security of local supplies and the price of bread and flour).

¶8. (U) Beef: Tax benefits will be given for producers who feed steers over 400 kilos; support will be provided to cow-calf operations negatively affected by the drought. An additional annual export quota of 60,000 tons of beef from old cows will be provided; the GOA will facilitate and speed up export permits for high quality beef cuts, reduce to 65 percent the level of stocks which export plants must maintain in order to be eligible to export the volume above such level, and promised to pass to Congress a new Federal Meat Law which will make beef marketing more efficient.

¶9. (U) Regional Economies: The GOA will reduce up to 50 percent of the export taxes for products from less wealthy regions, provided that the benefit improves producers' prices.

No Nationalization (Yet) of Grain Trade

¶10. (U) In the days prior to the meeting on March 3, there were extensive reports in the media and among private sector contacts that the government was mulling the creation of a national grain marketing agency, with the purported purpose of protecting small and medium farmers from large grain exporters. Some important farm entities (including the FAA and CRA, two of the four main rural groups) stated that they were, in general, not opposed to the idea, but were reluctant to have the government administer such an agency.

They also raised concerns that the GOA would use the agency to collect additional funds from the agricultural sector. The GOA alleges that farmers continue to hold up to nine million tons of soybeans from last year's crop (private sources estimate between five and six million tons) and sales of these soybeans could quickly generate over US\$ 1 billion in additional revenue from export taxes.

(Some also believe that the reports of a possible GOA decision were created by the government itself in the hope that it could bluff the farmers sitting on the soy into selling their crop.)

¶11. (U) Creation of this agency was not discussed formally during the meeting, but government sources told the press that it is on standby and that, if created, it will be sent to Congress.

¶12. (U) On March 6, ExpoAgro, the largest rural show in Argentina, began 250 kilometers north of Buenos Aires. The government will

closely monitor what farm representatives say and do. If declarations are highly critical of the government, some sources claim that the government could move forward in nationalizing the grain trade and even repudiate the signed agreements.

COMMENT

¶13. (SBU) With mid-term elections approaching in October, the Kirchner administration appears to be making a more concerted effort to manage this year's farm dispute than it did during the one last year. However, GOA reluctance to budge on the key soybean export tax issue places farm leaders in a difficult position. While anxious to achieve real deliverables for their sector, they are facing criticism from within for signing an agreement that, farmers believe, falls far short of resolving this long- lasting conflict. The internal bickering is likely to encourage the GOA to press on with its strategy of divide-and-conquer.

WAYNE